

Tools of the trade for corporate renewable energy buyers



Credit: EDF Renewables

Corporate PPAs | A new toolkit has been launched to support companies in Europe that want to meet more of their energy needs from solar and other renewable energy sources. As SolarPower Europe's Bruce Douglas explains, alongside much-needed regulatory reform the resource will help unlock the immense corporate renewables sourcing opportunity

Europe has set a target that 32% of its energy should come from renewable sources by 2030, up from 17.5% today. Corporates are key to achieving this target since they are responsible for almost three quarters of total final electricity consumption in the EU. Corporates – including from the steel, aluminium, ICT, and chemicals industries – can power their operations with renewable electricity and help to achieve the target. Facilitating access to renewable electricity for corporate consumers could deliver both significant reductions in CO₂ emissions and make European industries more competitive, thanks to the rapidly falling cost of solar and other renewables.

Corporates have significant potential to boost the EU economy. A recent study from the European Commission shows

that if EU-based industrial and commercial companies commit to meeting only 30% of their total electricity demand with renewables by 2030, they could generate more than €750 billion in gross added value and more than 220,000 new jobs [1].

Corporate sourcing of renewables has risen rapidly in Europe, with 7.5GW of power purchase agreement (PPA) deals signed over the past five years, and 1.6GW worth of deals in 2019 alone. More European countries are engaging in PPA deals: 13 countries have inked PPAs in 2019 so far. Commercial and industrial on-site corporate sourcing accounted for 3.4GW in 2018 and is expected to grow considerably in the next decade. Solar is now cost-competitive with conventional power and due to its flexibility can be installed on almost any surface.

Corporate sourcing of renewables such as solar will be a key driver for future greenhouse gas emission reductions

The benefits that can be accrued from corporate sourcing of renewables are vast and the market potential is growing rapidly. That is why, in 2017, SolarPower Europe together with WindEurope, RE100 (led by The Climate Group in partnership with CDP) and WBCSD established the RE-Source Platform, to drive the uptake of PPAs, renewable energy investments and increase the number of corporates buying renewable power from 100 to 100,000 [2].

It is in this context that 1,000 clean energy buyers and suppliers met in Amsterdam at the RE-Source 2019 event from October 2-3, for three days of discussions, B2B meetings, and peer-to-peer workshops on how to accelerate the uptake of renewable energy. The annual RE-Source Event is the largest and most influential corporate sourcing event in

Europe, gathering all the major PPA and on-site renewable energy players – from buyers to sellers to policymakers and more.

To further raise awareness of the advantages of renewable energy and help corporates, particularly new entrants, to navigate the market with confidence, the RE-Source Platform launched the Renewable Energy Buyer's Toolkit at RE-Source 2019 [3]. The Toolkit has been developed to provide information and resources to inform new entrant corporates about the market and offer guidance on how to facilitate deals. It contains several tools to help unlock the immense potential for corporate sourcing of renewables and to pave the way to a low-carbon society.

The Toolkit at a glance

The first component of the Toolkit is the report, 'Introduction to Corporate Sourcing of Renewable Electricity' [4], which provides an overview of different strategies a corporate can follow to procure renewable electricity in Europe. We present the strategies and business models, dividing them into two main categories according to the geographical location of the renewable installation: on-site models and off-site models. We describe the key features for each model, including their relationship to Guarantees of Origin (GOs), information on financial and greenhouse gas (GHG) accounting, if they provide additionality, among other things. We also chart an overview of the European countries in which each model is feasible, or where different models have been implemented. In addition, we provide real-world examples of projects to illustrate how the models have been applied in various markets.

The second component is the 'European Corporate Sourcing Directory' [5], which shows which models of corporate sourcing have been used where and which models we believe are possible to use in each member state. Specifically, what makes a model possible to use is the absence of regulatory and administrative barriers. In this context, governments can play their part in removing administrative hurdles for corporate sourcing of renewables and for on-site generation that exist throughout Europe.

The third component is the European Federation of Energy Traders (EFET) template contract, which is the first pan-European standard corporate PPA designed to help reduce transaction costs and facilitate the negotiation process

between the parties involved. The EFET-endorsed standard corporate PPA is valid for all European countries and allows for both physical and financial PPAs with the proven Election Sheet approach allowing for flexible tailoring of the PPA to the needs of the companies involved. The agreement will be supported by legal opinions in key jurisdictions, as well as translated into other EU languages to ease its uptake across Europe.

For corporate buyers to gain more confidence in navigating this growing and relatively complex market – with numerous deal structures available that may be difficult to value – our partners and PPA experts will organise training academies to explain how to compare PPAs systematically and quantitatively.

We are also preparing a report on 'Risk Mitigation for Corporate Renewable PPAs', written by risk mitigating product providers, that will offer new entrant corporates information on how to mitigate risks and how to tailor their PPAs to behave more like conventional power contracts.

SolarPower Europe and the other co-founders will continue to develop the RE-Source Toolkit and disseminate it across Europe. The RE-Source Platform will update the Toolkit regularly with new case studies, update the Directory when there is any change in national and EU regulations, and provide more insights and tools to help unlock this huge corporate renewable energy opportunity.

Removing administrative hurdles

While the Toolkit can help facilitate corporate PPAs, EU governments must also play their part in ensuring that more companies are able to easily source renewables, by removing administrative hurdles for corporate renewable PPAs, and on-site and direct investments in renewable energy generation that exist throughout Europe. Under the new Renewable Energy Directive, European governments now have the duty to remove these barriers. Currently, only two of the draft National Energy and Climate Plans for 2030 even mention PPAs and none comply with the agreed legislation.

What is clear is that the market is primed for commercial and industrial on-site corporate sourcing and PPAs, with more and more corporates signing deals. Earlier this year, in partnership with the RE-Source Platform, the German renewables giant BayWa r.e. released its Energy Report, which provides up-to-date analysis of

1,200 European corporations' attitudes to renewable energy [7]. The findings reveal the immense approval of corporates concerning renewable energy, with 89% reporting that companies must play a leading role in facilitating the energy transition and 80% responding that the use of renewables resulted in a competitive business advantage.

Confirming these findings, in October, Google announced the largest corporate renewables purchase in history, increasing its worldwide portfolio of solar and wind agreements by more than 40% to 5.5GW, including an agreement for 130MW of wind power from Finland, and 82MW of solar power from Denmark. Amazon recently unveiled plans to reach 100% renewable energy by 2030. Heineken also revealed that it intends to entirely power its Spanish operations via a new utility-scale solar plant, to be developed by Iberdrola. And IKEA, which has long been committed to renewable energy, announced that it aims to generate more renewable energy than it consumes in its operations globally by 2020; indeed, it has already achieved this feat in Portugal since 2018.

With corporate attitude towards PPAs and on-site renewables at an all-time high, and record-breaking deals signed in the last year alone, the future looks bright for corporate sourcing of renewable energy. The Renewable Energy Buyer's Toolkit is the missing link that simplifies, standardises and optimises this innovative business model for the new energy world. ■

References

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